

Access to High Quality Early Learning for Washington's Young Children

Specifications Identified by the ELC and
the Study Steering Committee
for Round I Analysis



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May 23rd, 2006

Presentation Overview

- ❑ Purpose of Study
- ❑ Outcomes of Study
 - ❑ Six Packages of Options for Comparison
 - ❑ Analysis of Budgetary Cost, Family Affordability and Targeting Funds to most vulnerable children
- ❑ Guiding Principles
- ❑ Context: Market Failure
- ❑ Policy Specifications
 - ❑ Cost to Providers
 - ❑ Paying for Quality (who pays and how)
 - ❑ Other Components
- ❑ Next Steps

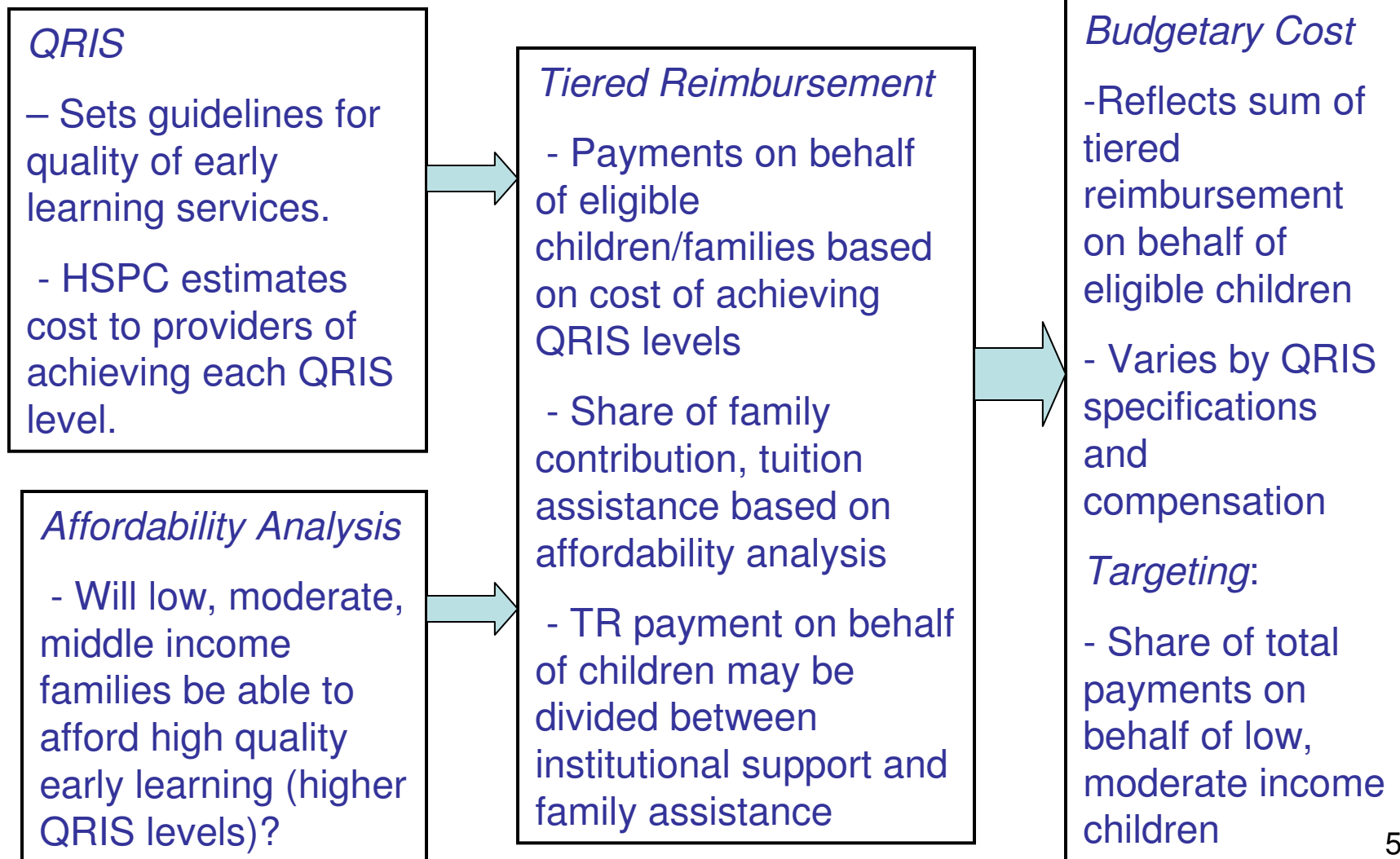
Purpose of Study

- ❑ Assist the Early Learning Council to consider alternative policies that assure all young children in Washington access to high quality early learning.
- ❑ The analysis encompasses but is not limited to QRIS.
- ❑ Provide analyses comparing the costs, impact on family affordability, and targeting of funds of alternative policy packages.
- ❑ Once major policy choices are made, many remaining issues of design and implementation will remain. There are implementation issues in QRIS that will not effect cost analyses.

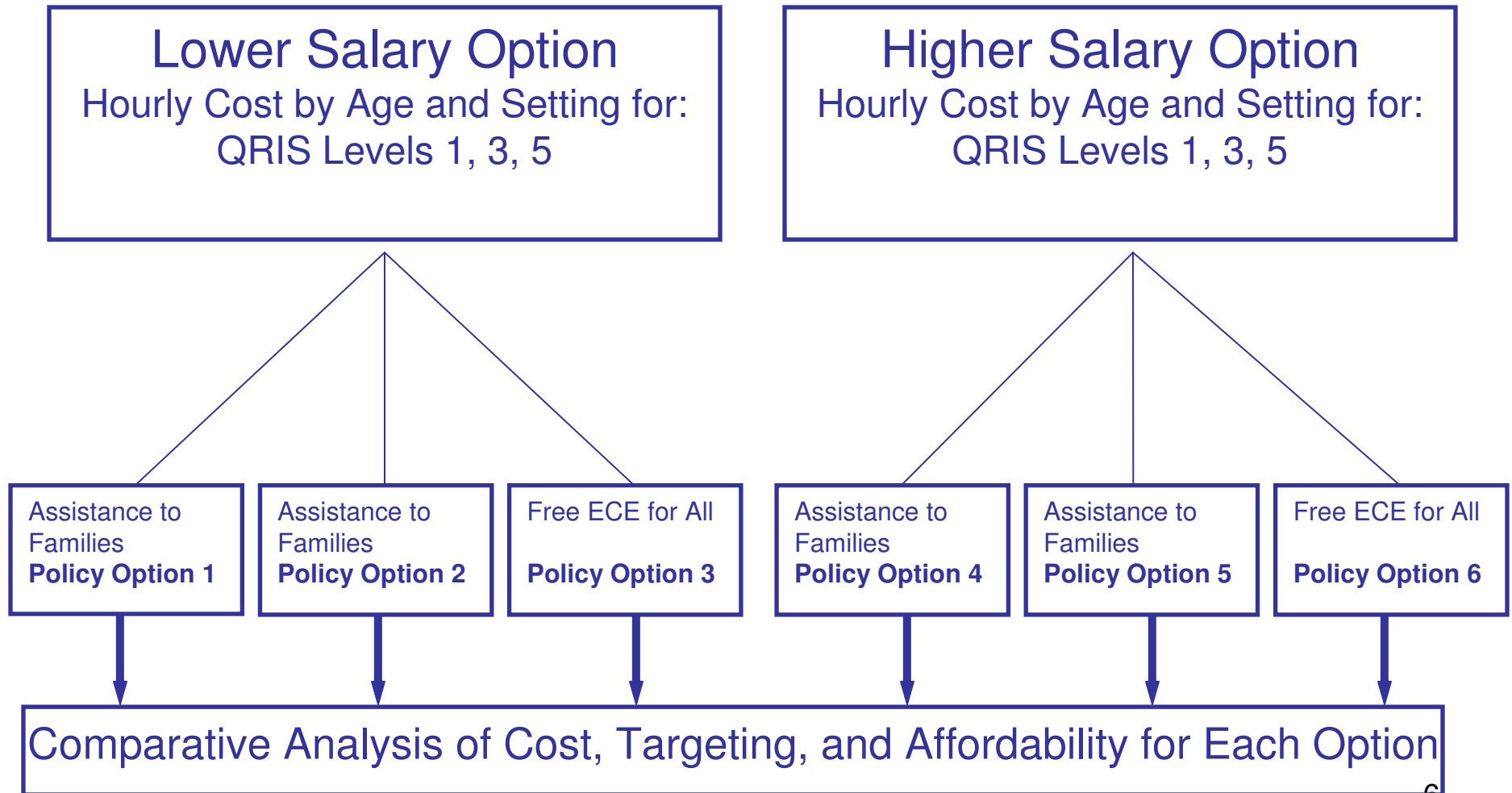
Outcomes of Study-- Analysis of Cost, Equity, and Affordability

- ❑ The specifications being presented today are for Round 1, subject to analysis, review and modification by ELC.
- ❑ The analysis will be reviewed by the Access SC prior to presentation on 6/28.
- ❑ They are combined into six different packages of options expected to yield higher and lower budgetary costs.

Linking Quality (QRIS), Tiered Reimbursement (TR) and Financial Access



Six Alternative Policy Options for Access to High Quality Early Learning



Outcomes of Study:

Determine the hourly cost for a provider to provide quality early learning, based on:

- ❑ Staffing ratios
- ❑ Mix of staff by position and education, based on QRIS education standards
- ❑ Compensation level
- ❑ *(varies for each QRIS level 1-5)*

Provider cost = rate paid at each QRIS level

- ❑ Each QRIS level generates different cost (which then require “tiers” of reimbursement)

Establish payment shares, yields budgetary cost

- ❑ How do participants (parents, public/private) share costs?
- ❑ How is payment made (family assistance, institutional support)?

Affordability and targeting:

- ❑ Can low, moderate, middle income families afford early learning?
- ❑ Are majority of funds devoted to most vulnerable children?

Context: Market Failure and Solutions

Market Constraints Yield Low - Mediocre Quality and Outcomes

Supply Constraints (providers):

- Lack qualified labor pool
- Competition from low-cost/quality providers (minimal protective regulation)
- No stable funding source
- Low subsidy reimbursement rates; no incentives to improve quality
- Lack of capital/reserves to invest in upgrading quality
- Lack of managerial expertise
- Diseconomies of small scale
- Cannot pay for release time, prof'l development

Demand Constraints (families)

- Low expectations about quality, outcomes
- Lack information about quality of competing provider entities
- Lack of income/financial assistance to afford high quality – eligibility restricted by income, employment status, location
- Fluctuating revenues as families go on/off subsidy eligibility
- Programs too small to affect most of market

Prices below quality-sustaining levels

Low-Mediocre Quality:

- Poorly qualified, under-compensated staff
- Little ongoing professional development
- Rapid staff turnover
- Lack of team building and expertise
- Children's attachment to caregivers interrupted

Low-Mediocre Outcomes

- Inadequate social, emotional, self-regulatory skills
- Inadequate cognitive development (lack school readiness)

Guiding Principles

Early learning research consensus

1. High quality early learning is essential to children's healthy development and school readiness.
2. To support nurturing interactions with children, early learning professionals need specialized training and education.
3. Quality needs to be supported in all settings, including parents.
4. Families select early learning options for many reasons. A market-based approach can offer choice to families while providing incentives and requirements for quality.
5. Compensation should be adequate to recruit and retain qualified caregivers who have alternative career options.
6. High quality early learning needs to be made affordable to families at all income levels.
7. To improve quality, providers need a reliable revenue stream and investment capital.
8. Resources are limited: cost-effective solutions are required.

Policy Specifications

1. What are our guidelines for the mix of staff qualifications and **educational levels** in centers and family child care?
2. What **compensation levels** are required to recruit and retain well-qualified staff in centers and family child care?
3. What level of **staff:child ratios** should we require for centers and family child care?
4. What support for **professional development** should we specify?
5. What type and level of support do we provide for **Family Friend and Neighbor care**?
6. What is the appropriate **scope of services** to provide?
7. How many will participate in **QRIS**, and what levels of quality attainment do we project?
8. How much does the public (versus parents of different income levels) **pay**, and **how** do we structure payments?

Cost to Providers

The primary differences in costs across QRIS levels:

- ❑ Mix of early learning professionals by position and level of education
- ❑ Staff: child ratios

HSPC will estimate costs to providers of meeting quality standards

- ❑ at QRIS levels 1, 3, and 5
- ❑ *(Costs increase as level of quality increases)*

Cost to Providers: Staff Compensation

ELC and the Steering Committee agreed to the following:

- ❑ Compensation should be adequate to recruit and retain qualified caregivers who have alternative career options.
- ❑ Early learning caregivers should earn what equally educated teachers earn.
- ❑ Earnings vary by educational level and position.
- ❑ Average salary across all staff is lower than BA level, due to the mix of staff with lower levels of education and responsibility.

Paying for Quality: Affordability to Families

The Steering Committee agreed to the following for Round I Specifications:

- ❑ Affordability is having access to early learning at a price that allows families to meet other needs, and does not drive any income group out of the licensed sector of the market.
- ❑ This means families pay up to 10-12% of income, with the lowest income families paying no tuition.
- ❑ We will consider an education (versus welfare) approach by comparing costs of:
 - ❑ No parental work/training/ education requirement
 - ❑ Work/ training/ education requirement only for middle and upper income families (above 200% fed poverty)

Paying for Quality:

Assistance to Families and Providers

The Steering Committee agreed to the following financing approach for Round I analysis:

1. Partial Assistance for children in low to upper-middle income families (ensuring affordability of each QRIS level)
2. Tiered Reimbursement payments will be similar to higher education, with tuition and assistance based on income, plus institutional support on behalf of eligible children

Paying for Quality: Tiered Reimbursement

Tiered Reimbursement and QRIS Concepts:

- ❑ QRIS quality requirements determine the **cost** to the provider at each level.
- ❑ Tiered Reimbursement (TR) refers to the different **rates** paid to providers on behalf of income eligible children based on the assessed QRIS level.
- ❑ Whether TR rates are paid through family assistance or institutional support does not affect total cost or income distribution.

Paying for Quality: Tiered Reimbursement, cont'd

The Steering Committee agreed to the following for Round I Specifications:

- ❑ Providers not participating in QRIS receive public reimbursement equal to Level 1.
- ❑ Tiered Reimbursement will include institutional support for 25% or 50% of the QRIS-based rate, on behalf of income eligible children.
- ❑ The remainder is paid in income-eligible scholarships (or vouchers) and tuition (or co-payments).

Other Components Specified by Steering Group

- ❑ Professional development
- ❑ Voluntary support for FFN (Family, Friends, and Neighbor) care
- ❑ Scope of services
 - ❑ Early learning and parent support included in QRIS core funding.
 - ❑ Steering Group will review expanded parent information in context of total costs.
- ❑ Governance and Administration
 - ❑ Local and state infrastructure, resource and referral, regulation, data management, support for QRIS and accreditation.

Next Steps in the Process

- ❑ HSPC will use these specifications to analyze the cost and impact of six options for the Steering Committee to review in late June, with a focus on:
 - ❑ Total budgetary cost
 - ❑ Affordability for families at each income level
 - ❑ Degree to which assistance is directed to most vulnerable families
 - ❑ Relative cost to providers of moving from QRIS level 1 to 3 to 5
- ❑ The Steering Committee and HSPC will present Round I findings to the ELC on June 28th.
- ❑ Round II analysis will take place in July-August.